NCA
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U.S. ECONOMIC RECOVERY AND BUSINESS CYCLES

ANNCR:

THE INCREASING MOMENTUM OF AMERICA'S ECONOMIC RECOVERY GIVES NEW VALIDITY TO A FORTY-YEAR-OLD THEORY -- THAT EVERY DOWNTURN SOWS THE SEEDS OF THE NEXT RECOVERY. VOA BUSINESS EDITOR FRANK FEINBERG HAS THIS BACKGROUND REPORT:

VOICE:

IN THE LATE NINETEEN-THIRTIES AMERICAN ECONOMIST WESLEY MITCHELL REPORTED THAT BUSINESS HISTORY REPEATS ITSELF, BUT ALWAYS WITH A DIFFERENCE. AND NOW, THE STRENGTH OF THE CURRENT RECOVERY DEMONSTRATES ANEW THAT BUSINESS-CYCLE FORCES HAVE ENOUGH INTERNAL STRENGTH TO REVIVE THE ECONOMY ... MUCH MORE STRENGTH THAN MANY IN GOVERNMENT AND BUSINESS ANTICIPATED.

JUST LAST YEAR, MANY AUTHORITIES DOUBTED THAT THE U.S. ECONOMY COULD RECOVER ALMOST AS RAPIDLY AS IT HAD FALLEN -- WHAT ECONOMISTS CALL THE CLASSIC VEE-SHAPED PROFILE. BUT EVENTS HAVE PROVED OTHERWISE. THE ECONOMY IS RECOVERING -- WITH MORE FORCE AND DURABILITY -- THAT EVEN THE MORE OPTIMISTIC FORECASTERS EXPECTED. CHAIRMAN ALAN GREENSPAN OF THE PRESIDENT'S ECONOMIC COUNCIL SAYS THERE DEFINITELY IS A CYCLICAL RECOVERY. THERE ARE, HE ADDS, NUMEROUS INDICATORS OF CONTINUING ECONOMIC GROWTH FOR THE FULL YEAR, AND INTO AT LEAST EARLY 1977.

MISTER GREENSPAN, IN A NEW YORK ADDRESS MONDAY, CALLED THE INVENTORY SITUATION, VERY GOOD. HE SAYS BUSINESS NOW VIEWS ITS INVENTORIES QUITE DIFFERENTLY FROM SEVERAL MONTHS AGO, WHEN IT WAS NOT CERTAIN ABOUT CONTINUATION OF THE SALES

UPTURN. NOW, DURING THIS YEAR'S SECOND QUARTER, MANUFACTURERS EXPECT TO INCREASE THEIR INVENTORIES BY AN ESTIMATED THREE AND ONE-THIRD THOUSAND MILLION DOLLARS. THIS MEANS MORE JOBS.

OVER THE PAST SEVERAL MONTHS, THERE HAS BEEN SUBSTANTIAL ADVANCES IN EMPLOYMENT. THE NUMBER OF AMERICA'S JOBHOLDERS HAS RISEN ONE AND ONE-THIRD MILLION IN THE YEAR'S FIRST THREE MONTHS. THIS INCREASE IS ABOUT AS LARGE AS THE EMPLOYMENT GAINS MADE IN THE PREVIOUS EIGHT MONTHS, WHEN THE ECONOMIC RECOVERY BEGAN.

THE JOBLESS RATE STILL IS HIGH BY U.S. STANDARDS. BUT IT'S IMPROVING. THE UMEMPLOYMENT RATE DROPPED FROM EIGHT POINT THREE PER CENT IN DECEMBER TO SEVEN POINT FIVE IN MARCH. AND THIS DECREASE OCCURRED, EVEN THOUGH THE U.S. WORK FORCE INCREASED BY ABOUT SIX-HUNDRED-THOUSAND PERSONS IN THE SAME PERIOD.

MISTER GREENSPAN CAUTIONS THAT THERE COULD BE DISRUPTIONS -- NOT NOW EVIDENT -- IN THE RECOVERY. BUT NEITHER HE NOR ANOTHER AUTHORITY, CONGRESSMAN HENRY REUSS, CHAIRMAN OF THE HOUSE BANKING COMMITTEE, THINK THIS IS LIKELY.

FMF/JS/PY